

Economic Sustainability: An Essential Component of Successful Recovery

The Great Midwest Flood of 1993 affected more than 250 businesses – about 76 percent of the local businesses – in Chesterfield, Missouri. Only 65 existing businesses were able to re-open after the disaster. While not every community will suffer such extreme business losses following a disaster, many small to mid-sized businesses will not have the financial reserves to survive an extended disaster recovery process. Businesses, particularly those that lease rather than own their facilities, generally do not have adequate insurance to cover the repair costs or coverage for equipment, inventory, and revenue disruptions. In order for your community to be sustainable, you must have a disaster-resistant economic base that includes jobs that will still be there after the next disaster strikes. Helping businesses to plan for and recover from disasters is a vital aspect of creating more sustainable communities.

FEMA has asked the Economic Development Administration (EDA) of the U.S. Department of Commerce to assess the economic impacts of several recent disasters. The results of their assessments indicate that when businesses fail, the whole community struggles to recover. There is a reduction in goods and services that residents have come to depend upon, a loss of jobs, and

substantial reductions in the local tax base. Clearly, this undermines the economic viability and hence the livability of the community.

Communities should include input from its business community to establish and achieve recovery goals. To assist your community's recovery efforts, consider the following:

- **Integrate mitigation and economic recovery planning.** Connect business recovery operations with disaster mitigation concepts early in the recovery process. Encourage new business development in ways that make it more disaster resistant.
- **Designate a single point of contact.** Select someone to be responsible for assisting the business community with economic recovery activities.
- **Establish temporary business sites.** Create a location for businesses affected by the disaster to operate until they can reopen in permanent locations.



East Grand Forks, Minnesota

East Grand Forks experienced a devastating flood of the Red River on April 18, 1997. All but 7 of the city's 2,301 residential properties were flooded and the entire downtown business district was severely damaged. Several commercial establishments were damaged beyond repair and had to be demolished.

The extensive damage made it apparent that the city needed to initiate a recovery planning process that included the entire community's ideas, opinions, and suggestions. Community volunteers formed a Citizens Advisory Rebuilding Team (CART) and identified key stakeholders in retail/business, health care, housing, education, nonprofit services, arts, parks/recreation, and the religious sector. An intense two-day workshop attended by approximately 450 individuals was held to gather input. Encouraging a vibrant economy became the highest ranked priority of the recovery effort. The city realigned a protective dike and built an invisible floodwall to protect existing businesses. The floodwall is below water level most of the time. When weather conditions indicate potential flooding conditions, however, USACE raises the floodwall to protect the downtown business district. The city chose this type of flood protection over other possibilities because it was flexible enough to allow the community to enjoy the riverfront during normal conditions while

still providing the necessary protection when flooding is predicted.

Growth and commercial activity in East Grand Forks' central business district was fairly static before the flood. After 27 businesses were severely damaged or destroyed by the flood, the city purchased an unused mall and established a business incubator there. Using EDA funds, the city rehabilitated the building and worked with retailers to get them back into business as quickly as possible. The business incubator was a great success. After post-disaster recovery and mitigation efforts were complete, some businesses relocated into the old business district and new businesses filled the spaces left empty in the business incubator. Currently, the building is completely leased. More than 500 jobs in the downtown central business district were created or retained as a result of the recruitment of new businesses and the restoration of existing retail services. With few exceptions, all of the previous businesses are up and running. Many pre-flood businesses have expanded in their original location or relocated to the city's northeast business sector. Cabela's, an outdoors and sporting goods retailer, decided to invest in East Grand Forks because of the unique circumstances the flood recovery created. In all, 13 new businesses have moved into the area.

University of California

The Hayward Fault runs directly through the campus of the University of California (UC) at Berkeley. Since the 1970s, UC has spent more than \$250 million on seismic retrofit projects, but an estimated \$1.2 billion in retrofit work is still needed. The University recently became part of FEMA's *Disaster Resistant Universities Initiative*. Similar to FEMA's *Project Impact*, this nationwide initiative encourages protection of public investment in research universities. As part of this initiative, the University undertook a campus study to determine possible structural and nonstructural losses that would occur if a magnitude 7 earthquake were to strike the area. University Administrators had some unique concerns, including:

- Laboratories harboring rare life forms;
- Expensive research equipment;
- Archeological collections, worth over \$270 million, housed below the women's gym and swimming pool;
- Laboratories containing hazardous and biological materials that would be dangerous if released into the surrounding community; and
- Cancer research animals used in long-term research projects.

The study's results were distressing: 27 percent of all usable space was rated seismically poor or very poor, meaning that in the event of a major earthquake these buildings would likely sustain significant or extensive structural damage and possibly collapse—endangering the lives of students, faculty, and staff. After all on- and off-campus buildings were surveyed, 95 were deemed in need of corrective action.

The University also analyzed the economic impacts of a major earthquake on the campus and the effect it would have on surrounding counties. Losses could range from a decline in rental income in the surrounding area to the loss of valuable research grants. UC discovered, for example, that 25 percent of its research grants were concentrated in only two campus buildings. The study has provided the University with clear guidance on where to place limited funds for retrofit projects.

Get information out to the public. Find effective ways to communicate with the public. Publish weekly newsletters, provide daily reports on local radio stations, or establish a website that provides notice when businesses reopen.

Increase risk awareness and encourage adequate business insurance. Help businesses assess the real costs of disaster damage and business disruption, and encourage them to carry adequate insurance.

Salt Lake, Utah

The City of Salt Lake acquired land along a known earthquake fault to prevent intense at-risk development. A low intensity recreational area, Faultline Park, was developed on this land.

Looking to the Future

While we will never be able to completely prevent floods, tornadoes, earthquakes, hurricanes, and other disasters from threatening our communities, we can, however, reduce or even avoid the devastating impacts and rising costs of disasters. We can do this by planning for and implementing effective hazard mitigation measures before disaster strikes, and by making sure that post-disaster recovery efforts include appropriate hazard mitigation measures.

We can go further, however. We can change the way we think about disasters, and also change the way we think about our communities. We can convert both disaster prevention and disaster recovery into opportunities for community-wide planning that can address the long-term challenges that communities face. We can go beyond creating disaster-resistant communities by having the vision to create truly sustainable ones.

Sustainable development encompasses the full range of activities that define the places we live and work, and there is much more to read and learn about it than can be covered in this booklet. The following Resources section provides a significant starting point, with materials on hazard mitigation, disaster resistance, and sustainable development. We encourage you to consult these additional sources of information.

We also hope we have motivated you to begin to take some specific actions now. By identifying the hazards and risks in your community,

anticipating disaster-related issues, and incorporating hazard mitigation elements into your local comprehensive planning process, you will have taken a significant step toward making your community more disaster resistant and sustainable.

Louisburg, North Carolina

The Town of Louisburg's Tar River Water Reclamation Facility has been recognized nationally for its mitigation efforts. As a part of the post-Hurricane Fran recovery effort, the facility received more than \$550,000 in EDA grants to increase capacity and mitigation. Although Hurricane Floyd's floodwaters encircled the town, the facility continued operation and was able to provide water and waste treatment to two nearby communities. Mitigation efforts also prevented the possible release of contaminants into the community.